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MELVILLE SHOE CORPORATION

Annual Report

1932

Operating

JOHN WARD MEN'S SHOES

RIVAL SHOE STORES

THOM MCAN

OFFICERS

FRANK MELVILLE, JR.
Chairman of the Board

WARD MELVILLE
President

WILLIAM FITCH ALLEN
Vice-President

ELBERT R. ALLEN
Treasurer

JOEL E. FISHER
Secretary

CYRIL J. RICHARDS
Assistant Treasurer

DIRECTORS

WILLIAM FITCH ALLEN
Clarke & Allen

FREDERICK S. LITTLE
Chairman, R. C. Rathbone & Son, Inc.

J. FRANKLIN MCELWAIN
President, J. F. McElwain Co.

FRANK MELVILLE, JR.
New York

WARD MELVILLE
New York

JOSEPH L. MERRILL
E. A. Pierce & Co.

HARRY ELIOT ROBINSON
E. C. Benedict & Co.

To Our Stockholders:

The annual report of Melville Shoe Corporation for the year ending December 31, 1932, is herewith submitted for your consideration.

You will note that the Corporation's net income for the twelvemonth amounted to $721,643.61, or earnings of $1.50 per share, after preferred dividends, on the 371,461 shares of common stock outstanding, compared with $945,993.88, or $2.09 per share in 1931.

Total current assets of the Corporaton on December 31, 1932, were $5,644,428.80, as against total current liabilities of $1,024,004.59, a ratio of 5.5 to 1. On the same date, cash on hand and in banks amounted to $3,235,276.77, which was more than enough to cover all current liabilities three times over, and represented a gain of $831,131.74 over the like figure in 1931.

Dollar sales for the year amounted to $20,594,311.71 as compared with $26,286,518.53 in 1931, a decline of 21.7%. The total unit volume for the twelvemonth was 5,731,535 pairs of shoes and 4,585,200 pairs of hosiery. This compares with 6,470,720 pairs of shoes and 4,853,040 pairs of hosiery in 1931. It is noteworthy that this volume of business was accomplished on an inventory which on December 31 stood at $2,349,270.46, equivalent to 11.4% of the dollar sales. This compares with an inventory at the close of 1931 equivalent to 11.9% of that year's sales.

Convinced that all retail business had been carried to a new basis, your officers during 1932 continued, and intensified, the operating efficiencies begun in 1931. These efficiencies resulted in savings which now approximate $100,000 a month over those for 1931. They met changed conditions by bringing the prices of all merchandise strictly in line with current purchasing ability of customers, and in general consolidated the operations in the more profitable locations. For instance, the two Courdaye stores were changed over into Gold Line units, with an immediate and appreciable improvement in volume.

In line with this development was the introduction of a new type of Thom McAn White Front store. This type differs from the standard White Front in that it utilizes the existing store front with a minimum of alterations and expense, although retaining the distinctive appearance so long associated with your Company's stores. Forty-two such stores were opened during 1932, the majority located in neighborhoods which could not have supported our standard type store and its substantially heavier investment. All but two of these stores were profitable from their first week's business.

As for the matter of readjustment of store rentals, you will be pleased to learn that The R-W Realty Co., Inc., a subsidiary of your Corporation, succeeded during 1932 in negotiating rent reductions on 61% of our existing leases and that 204 leases will expire during 1933. Thus the Company will effect still further savings in rentals, as it is certain that these leases can be renewed at figures more to our advantage. It is estimated that by the end of 1933 not more than 50 leases will remain unadjusted. In this connection, it was deemed advisable dur-

ing January, 1933, to organize a new and stronger real estate operating company instead of increasing the present $50,000 capital of The R-W Realty Co., Inc. This new organization is known as the Melville Realty Company, Inc.

During the past year, the Corporation's engineers made a survey and revaluation of its warehouse, its items of equipment and its various other fixed assets, to determine the changes which had taken place in their utility and replacement values. It was found that, because of reduced construction and other costs, the net book value of these fixed assets (many of which were acquired during periods of high labor and material costs) exceeded their estimated replacement value at December 31, 1931.

As a result of this survey and revaluation, and with the collaboration of its auditors, Messrs. Peat, Marwick, Mitchell & Co., the Corporation has reduced the net book value of these fixed assets as of December 31, 1931, by $848,137.76, and has charged this amount to its earned surplus account.

The accompanying statements, therefore, in addition to more nearly recording an accurate valuation of your Company's net fixed assets, reflect a reduction of annual depreciation charges resulting from the elimination of property values which did not contribute to earnings.

In the profit and loss account, the item "Interest paid, $5,726.99," represents interest paid on store managers' bond deposits and service charges on certain depository accounts, the Corporation and its subsidiaries having had no bank loans at any time during 1932. The item, "miscellaneous charges, $126,365.12" is made up principally of premiums on approximately $1,000,000 life insurance on the lives of your Chairman and your President; of assets charged off at stores which have been closed, and of unearned rental on that part of your Corporation's premises which were not being used.

The end of the year 1932 found your Corporation operating 499 John Ward, Rival and Thom McAn stores in 221 cities in 35 states, a net gain of 21 stores as compared with the number in operation on December 31, 1931. To this total we expect to add during 1933, as desirable leases at suitable rentals become available.

Beginning with 1933, the reports of sales, which have been published monthly, will be published at intervals of 4 weeks, so that, by avoiding the unequal distribution of Saturdays which is inherent in monthly reports, a truer comparison of sales will be possible.

The Board of Directors has asked me to convey its appreciation to all employees of the Corporation. Without their fine zeal and loyalty the Company's satisfactory showing in 1932 would have been impossible.

Respectfully submitted,

Ward Melville

President

March 2, 1933

To the Board of Directors,

MELVILLE SHOE CORPORATION,

WORCESTER, MASS.

We have examined the accounts of Melville Shoe Corporation and its subsidiary, R-W Realty Company, Inc., for the year ended December 31, 1932.

In our opinion, based on our examination and information furnished to us, the accompanying Balance Sheet and relative Profit and Loss and Surplus Accounts set forth the consolidated financial condition of the companies, as at December 31, 1932, and the result of the operations for the year, after giving effect to the revaluation of fixed assets as at December 31, 1931 as indicated therein.

PEAT, MARWICK, MITCHELL & CO.

WORCESTER, MASS.
February 13, 1933

MELVILLE SHOE CORPORATIO

CONSOLIDATED

As at Dece

ASSETS

Current Assets:		
Cash in Banks and on Hand		$3,235,276.77
Accounts and Notes Receivable, less reserve		59,881.57
Inventories, at cost or market whichever is lower		2,349,270.46
Total Current Assets		$5,644,428.80
Accounts of Officers and Employees		17,968.70
Prepaid Insurance, Rents, etc., and Supplies		93,051.28
Investments:		
Life Insurance Policies, cash surrender value	$120,836.06	
Stock of Other Companies, at cost	33,138.20	
		153,974.26
Fixed Assets, at estimated replacement values at December 31, 1931, as determined by the Corporation, plus subsequent additions at Cost:		
Land and Buildings, Worcester	$658,764.48	
Store and Office Fixtures and Improvements to Leased Store Properties, and Miscellaneous Equipment	3,091,413.01	
	$3,750,177.49	
Less Reserve for Depreciation	1,728,389.13	
		2,021,788.36
Deferred Charges		49,279.91
Common Stock in treasury (900 shares, market value $7,200.00) held for resale to employee		9,862.50
		$7,990,353.81

N AND SUBSIDIARY COMPANY

BALANCE SHEET

ber 31, 1932

LIABILITIES

Current Liabilities:			
Accounts Payable			$746,610.87
Note Payable, liability as endorser of Broadway Block Corporation note assumed			125,000.00
Accrued Liabilities			85,393.72
Provision for Federal Income Tax, estimated			67,000.00
Total Current Liabilities			$1,024,004.59
Accounts of Officers and Employees			8,836.77
Deposits on Sub-leases, and Store Managers' Security Deposits			110,431.59
Reserves for Self-insurance, Store Front Replacements, etc.			109,701.26
Capital Stock:			
First Preferred 6% cumulative; authorized 50,000 shares, $100.00 par value; issued 25,000 shares		$2,500,000.00	
Deduct 3,007 shares retired		300,700.00	
		$2,199,300.00	
Less 317 shares held in treasury		31,700.00	
		$2,167,600.00	
Second Preferred 6% cumulative; authorized and issued 100,000 shares, $5.00 par value	$500,000.00		
Deduct 8 shares retired	40.00		
		499,960.00	
Common Stock, no par value; authorized 500,000 shares; issued 371,461 shares—declared value $1.25 per share		464,326.25	
			3,131,886.25
Surplus:			
Paid-in		$1,110,881.55	
Earned		2,494,611.80	
			3,605,493.35
Contingent Liabilities—None reported			
			$7,990,353.81

MELVILLE SHOE CORPORATION AND SUBSIDIARY COMPANY

Combined Profit and Loss Account

For the Year Ended December 31, 1932

Sales		$20,594,311.71
Cost of Sales		12,973,737.95
Gross Profit		$7,620,573.76
Store Operating and General and Administrative Expenses	$6,227,675.83	
Depreciation	500,697.89	6,728,373.72
Net Operating Profit of Stores		$892,200.04
Interest Paid	$5,726.99	
Miscellaneous Charges	126,365.12	
	$132,092.11	
Less Miscellaneous Income	45,495.84	86,596.27
Net Income of Selling Company before adjustment of depreciation		$805,603.77
Add:		
Reduction of Provision for Depreciation resultant from revaluation of Fixed Assets		138,592.91
Net Income of Selling Company		$944,196.68
Deduct:		
Net Loss of R-W Realty Company, Inc. before adjustment of depreciation	$157,857.51	
Less:		
Reduction of Provision for Depreciation resultant from revaluation of Fixed Assets	2,304.44	155,553.07
Combined Net Income, before Federal Income Tax		$788,643.61
Federal Income Tax, estimated		67,000.00
Net Income, transferred to Surplus		$721,643.61
Earned on Amount of Common Shares Outstanding at End of Period After Deducting Preferred Dividends Paid		$1.50

Consolidated Operating Surplus Account

Balance as at December 31, 1931		$3,629,832.48
Deduct:		
Reduction of Net Book Value of Fixed Assets to estimated replacement values as at December 31, 1931	$848,137.76	
Less Credit Adjustments in respect thereof	122,460.17	725,677.59
Balance as Adjusted, December 31, 1931		$2,904,154.89
Add:		
Net Income for the year ended December 31, 1932	$721,643.61	
Discount on Preferred Stock retired and in treasury	24,826.52	746,470.13
Deduct:		$3,650,625.02
Bonuses and Commissions Paid for lease cancellations and rent reductions, net	$200,928.96	
Additional provision for loss of investment in and advances to Broadway Block Corporation	183,133.55	
Loss on Capital Assets sold or discarded	50,616.96	
Sundry adjustments of taxes, etc., affecting prior periods	3,373.15	438,052.62
		$3,212,572.40
Deduct Dividends Paid:		
On First Preferred Stock, 6%	$131,311.50	
On Second Preferred Stock, 6%	29,997.60	
On Common Stock, $1.50 per share	556,651.50	717,960.60
Balance as at December 31, 1932		$2,494,611.80

LIST OF STORES
MELVILLE SHOE CORPORATION
As of December 31, 1932

JOHN WARD—12 STORES

New York	9	Newark	1
Brooklyn	1	Philadelphia	1

RIVAL—27 STORES

New York	13	Jamaica	1
Brooklyn	5	Newark	2
Astoria	1	Baltimore	1
Philadelphia	3	Paterson	1

THOM McAN—460 STORES

Alabama (4)
- Birmingham . . . 2
- Ensley . . . 1
- Mobile . . . 1

Arkansas (1)
- Little Rock . . . 1

Colorado (2)
- Denver . . . 2

Connecticut (20)
- Bridgeport . . . 2
- Danbury . . . 1
- Derby . . . 1
- Hartford . . . 3
- Meriden . . . 1
- New Britain . . . 1
- New Haven . . . 4
- New London . . . 1
- Norwich . . . 1
- South Manchester . . . 1
- South Norwalk . . . 1
- Torrington . . . 1
- Waterbury . . . 2

Delaware (2)
- Wilmington . . . 2

District of Columbia (4)
- Washington . . . 4

Florida (7)
- Jacksonville . . . 2
- Lakeland . . . 1
- Miami . . . 1
- Pensacola . . . 1
- Tampa . . . 2

Georgia (4)
- Atlanta . . . 2
- Macon . . . 1
- Savannah . . . 1

Illinois (18)
- Chicago . . . 12
- Danville . . . 1
- East St. Louis . . . 1
- Jacksonville . . . 1
- Kankakee . . . 1
- Quincy . . . 1
- Rock Island . . . 1

Indiana (11)
- Evansville . . . 1
- Fort Wayne . . . 1
- Gary . . . 1
- Indianapolis . . . 3
- Marion . . . 1
- Muncie . . . 1
- Richmond . . . 1
- South Bend . . . 1
- Terre Haute . . . 1

Iowa (2)
- Davenport . . . 1
- Des Moines . . . 1

Kentucky (6)
- Covington . . . 1
- Lexington . . . 1
- Louisville . . . 3
- Newport . . . 1

Louisiana (6)
- Baton Rouge . . . 1

New Orleans 4
Shreveport 1

MAINE (4)
Augusta 1
Lewiston 1
Portland 2

MARYLAND (6)
Baltimore 5
Cumberland 1

MASSACHUSETTS (55)
Allston 1
Arlington 1
Boston 8
Cambridge 1
Charlestown 1
Chelsea 1
Dorchester 3
East Boston 1
Everett 1
Fall River 2
Fitchburg 1
Framingham 1
Gloucester 1
Greenfield 1
Haverhill 1
Holyoke 1
Hyde Park 1
Lawrence 2
Lowell 1
Lynn 2
Malden 1
Medford 1
New Bedford 3
North Attleboro 1
Norwood 1
Pittsfield 1
Quincy 1
Roxbury 1
Salem 1
Somerville 1
South Boston 1
Springfield 2
Taunton 1
Wakefield 1
Waltham 1
Westfield 1
Woburn 1
Worcester 3

MICHIGAN (20)
Detroit 8
Flint 1
Grand Rapids 2
Hamtramck 1
Highland Park 1
Jackson 1
Kalamazoo 1
Lansing 1
Muskegon 1
Pontiac 1
Port Huron 1
Saginaw 1

MINNESOTA (6)
Duluth 1
Minneapolis 3
St. Paul 2

MISSISSIPPI (2)
Greenville 1
Vicksburg 1

MISSOURI (6)
Kansas City 2
St. Joseph 1
St. Louis 3

NEBRASKA (3)
Lincoln 1
Omaha 2

NEW HAMPSHIRE (2)
Manchester 1
Portsmouth 1

NEW JERSEY (25)
Atlantic City 1
Bayonne 1
Camden 2
Elizabeth 1
Harrison 1
Hoboken 1
Jersey City 6
Long Branch 1
Newark 3
New Brunswick 1
Passaic 1
Paterson 1
Perth Amboy 1
Plainfield 1
Trenton 1
West New York 1
Union City 1

NEW YORK (129)
New York City 46

Brooklyn and Queens County . . . 52
Staten Island . . . 1
Albany . . . 3
Amsterdam . . . 1
Bay Shore . . . 1
Buffalo . . . 4
Cohoes . . . 1
Elmira . . . 1
Hempstead . . . 1
Mt. Vernon . . . 1
New Rochelle . . . 1
Niagara Falls . . . 1
Patchogue . . . 1
Peekskill . . . 1
Port Chester . . . 1
Rochester . . . 3
Schenectady . . . 2
Syracuse . . . 2
Utica . . . 2
Yonkers . . . 2
White Plains . . . 1

North Carolina (3)
Charlotte . . . 1
Raleigh . . . 1
Wilmington . . . 1

Ohio (27)
Akron . . . 2
Canton . . . 1
Cincinnati . . . 4
Cleveland . . . 6
Columbus . . . 2
Dayton . . . 3
Findlay . . . 1
Lima . . . 1
Lorain . . . 1
Norwood . . . 1
Portsmouth . . . 1
Springfield . . . 1
Toledo . . . 2
Youngstown . . . 1

Oklahoma (2)
Oklahoma City . . . 1
Tulsa . . . 1

Pennsylvania (41)
Philadelphia . . . 21
Ardmore . . . 1
Allentown . . . 1
Beaver Falls . . . 1
Braddock . . . 1
Chester . . . 1
Erie . . . 2
Greensburg . . . 1
Lancaster . . . 1
Nanticoke . . . 1
New Castle . . . 1
Pittsburgh . . . 5
Reading . . . 1
Scranton . . . 1
Wilkes-Barre . . . 1
Wilkinsburg . . . 1

Rhode Island (9)
Newport . . . 1
Pawtucket . . . 2
Providence . . . 5
Woonsocket . . . 1

South Carolina (2)
Charleston . . . 1
Greenville . . . 1

Tennessee (6)
Chattanooga . . . 1
Johnson City . . . 1
Knoxville . . . 1
Memphis . . . 2
Nashville . . . 1

Texas (11)
Abilene . . . 1
Dallas . . . 2
Fort Worth . . . 2
Galveston . . . 1
Houston . . . 2
San Antonio . . . 2
Wichita Falls . . . 1

Vermont (1)
Burlington . . . 1

Virginia (6)
Alexandria . . . 1
Norfolk . . . 2
Portsmouth . . . 1
Richmond . . . 1
Roanoke . . . 1

West Virginia (4)
Charleston . . . 1
Clarksburg . . . 1
Huntington . . . 1
Wheeling . . . 1

Wisconsin (3)
Eau Claire . . . 1
Milwaukee . . . 2